

Form MR-RC
Revised January 7, 1999
RECLAMATION CONTRACT

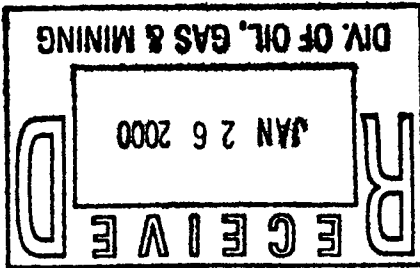
File Number M/019/005

Effective Date Feb 22, 2000

Other Agency File Number SITLA ML 9638

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING

1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
Fax: (801) 359-3940



RECLAMATION CONTRACT

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For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.)	<u>M/019/005</u>
(Mineral Mined)	<u>Potash (KCl) and Salt (NaCl)</u>
"MINE LOCATION":	
(Name of Mine)	<u>Cane Creek</u>
(Description)	<u>Grand County, Utah</u>
	<u>7 miles west of Moab</u>
"DISTURBED AREA":	
(Disturbed Acres)	<u>1002.00 acres</u>
(Legal Description)	<u>(refer to Attachment "A")</u>
"OPERATOR":	
(Company or Name)	<u>Moab Salt, Inc.</u>
(Address)	<u>P.O. Box 1208</u>
	<u>Moab, Utah 84532</u>
(Phone)	<u>(801) 259-7171</u>

"OPERATOR'S REGISTERED AGENT":

(Name)

(Address)

(Phone)

CT Corporation Systems

50 West Broadway, 8th Floor

Salt Lake City, Utah 84101

(801) 364-1228

"OPERATOR'S OFFICER(S)":

David C. Edmiston, CEO

3101 Glenwood Avenue, P.O. Box 30321

Raleigh, NC 27622-0321

"SURETY":

(Form of Surety - Attachment B)

Surety Bonds

"SURETY COMPANY":

(Name, Policy or Acct. No.)

Cumberland Surety Insurance Company
on behalf of Lyndon Property Insurance
Company

"SURETY AMOUNT":

(Escalated Dollars)

\$13,247,000 (total)

"ESCALATION YEAR":

2005

"STATE":

"DIVISION":

"BOARD":

State of Utah

Division of Oil, Gas and Mining

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Moab Salt, Inc. the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/019/005 which has been approved by the Utah State Division of Oil, Gas and Mining under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the original Notice of Intention dated April 1, 1977, and the original Reclamation Plan dated April 1, 1977. The Notice of intention as amended, and the Reclamation Plan, as amended, are incorporated by this reference and made a part thereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Division in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract, in a form and amount reasonably acceptable to the Division. If the Operator fails to provide a replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the Division that the aggregate face amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the

remaining reclamation. The Division shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitution surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity of notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion or reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

OPERATOR:

Moab Salt, Inc.

Operator Name

By ~~Vice President~~ Robert P. Jormayraz III
Authorized Officer (Typed or Printed)

Vice President

Authorized Officer - Position

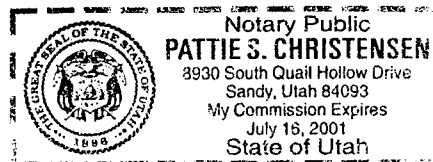
Robert P. Jormayraz III
Officer's Signature

STATE OF Utah

) SS:

COUNTY OF Salt Lake

January 26, 2000
Date



On the 26th day of January, 2000, personally appeared before me Robert P. Jormayraz III who being by me duly sworn did say that he/she, the said individual is the Vice President of Moab Salt, Inc. and duly acknowledged that said instrument was signed on behalf of said company by authority of its bylaws or a resolution of its board of directors and said Robert P. Jormayraz III duly acknowledged to me that said company executed the same.

Pattie S. Christensen
Notary Public
Residing at: 8930 S. Quail Hollow

7/16/01
My Commission Expires:

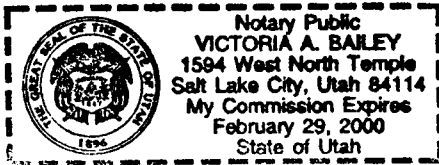
DIVISION OF OIL, GAS AND MINING:

By Lowell P. Braxton
Lowell P. Braxton, Director

2-22-00
Date

STATE OF Utah)
)ss:
COUNTY OF Salt Lake)

On the 22nd day of February, 2000, personally appeared before me
Lowell P. Braxton, who being duly sworn did say that he/~~she~~, the said
Lowell P. Braxton is the Director of the Division of Oil, Gas and Mining,
Department of Natural Resources, State of Utah, and he/~~she~~ duly acknowledged to me that he/~~she~~
executed the foregoing documents by authority of law on behalf of the State of Utah.



Victoria A. Bailey
Notary Public
Residing at: Salt Lake City, UT

February 29, 2000
My Commission Expires:

Permit Number M-019-005

Bond Numbers: 

ATTACHMENT "A"

Moab Salt, Inc.
Operator

Cane Creek Mine
Mine Name

M-019-005
Permit Number

Moab County, Utah

The legal description of lands to be disturbed is:

T. 26S., R. 20E., SLM

Sec. 22: SE 1/4 SE 1/4;

Sec. 23: SW 1/4 SW 1/4;

Sec. 24: SE1/4, SE1/4SW1/4, NE1/4NW1/4, NW1/4NE1/4;

Sec. 25: All;

Sec. 26: All;

Sec. 27: SE1/4NE1/4, NE1/4SE1/4;

Sec. 34: SE1/4SE1/4;

Sec. 35: All;

Sec. 36: All;

T. 26S., R. 21E., SLM

Sec. 30: W1/2NE1/4;

T. 27S., R. 20E., SLM

Sec. 1: N1/2NE1/4, SW1/4, N1/2NW1/4, SW1/4NW1/4;

Sec. 2: E1/2, E1/2NW1/4;

Sec 11: NE1/4'

Sec 12: N1/2SW1/4, NW1/4;

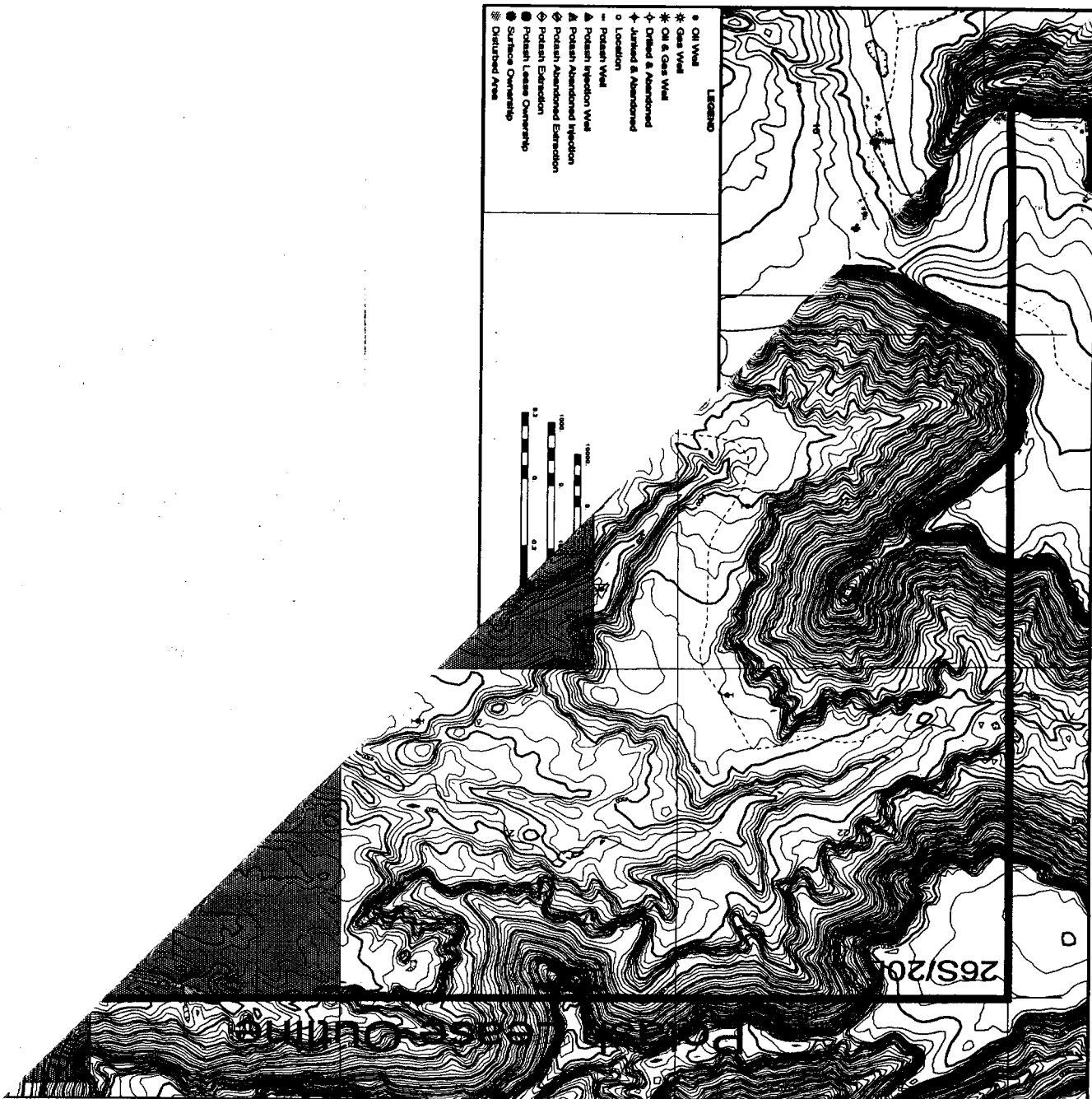
as identified on the attached map.

Note: Includes all lease area (4280.00 acres), including disturbed area.

RECEIVED

FEB 11 2000

DIVISION OF
OIL, GAS AND MINING



STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
Telephone: (801) 538-5291
Fax: (801) 359-3940

THE MINED LAND RECLAMATION ACT

SURETY BOND

The undersigned Intrepid Oil & Gas, L.L.C., as Principal, and Cumberland Surety Insurance Company on behalf of Lyndon Property Insurance Company, as Surety, hereby jointly and severally bind ourselves, our heirs, administrators, executors, successors, and assigns, jointly and severally, unto the State of Utah, Division of Oil, Gas and Mining (Division) in the penal sum of two Million three Hundred eighty four Thousand four hundred and sixty dollars (\$2,384,460).

Principal has estimated in the Mining and Reclamation Plan approved by the Division on the 14th day of December, 1989, that 1002 acres of land will be disturbed by mining operation in the State of Utah.

A description of the disturbed land is attached as "Attachment A" to the Reclamation Contract, of which this document is an integral part.

The condition of this obligation is that if the Division determines that Principal has satisfactorily reclaimed the disturbed lands in accordance with the approved Mining and Reclamation Plan and has faithfully performed all requirements of the Mined Land Reclamation Act, and complied with the Rules and Regulations adopted in accordance therewith, then this obligation shall be void; otherwise it shall remain in full force and effect.

If the Mining Reclamation Plan provides for periodic partial reclamation of the disturbed lands, and if the lands are reclaimed in accordance with such Plan, Act and regulations, then Principal may apply for a reduction in the amount of the Surety Bond.

In the converse, if the Mining and Reclamation Plan provides for a gradual increase in the area disturbed or the extent of the disturbance, then, the Division may require that the amount of the Surety Bond be increased, with the written approval of the Surety.

The Surety's liability for the reclamation obligations of the Principal shall not cease and terminate until (1) the Principal has completed its reclamation obligations, or (2) the Principal has obtained a replacement bond and the Division has approved that replacement bond. No condition or occurrence, other than the two identified in the preceding sentence, shall terminate the Surety's liability for the reclamation obligations of the Principal. The Surety's Liability under any replacement bond shall be conditioned using the same language as is used in this bond.

Principal and Surety and their successors and assigns agree to guarantee said obligation and to indemnify, defend, and hold harmless the Division from any and all expenses (including attorney fees) which the Division may sustain in the collection of sums due hereunder.

Bond Number

Permit Number M-019-005

Mine Name Cane Creek Mine

Surety will give prompt notice to Principal and to the Division of the filing of any petition or the commencement of any proceeding relating to the bankruptcy, insolvency, reorganization, or adjustment of the debts of Surety, or alleging any violation or regulatory requirements which could result in suspension or revocation of the Surety's license to do business.

IN WITNESS WHEREOF, the Principal and Surety hereunto set their signatures and seals as of the dates set forth below.

MOAB SALT, INC.

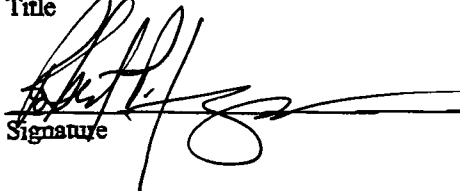
Principal (Permittee)

Robert P. Jornayvaz III

By (Name typed):

Vice President

Title



Signature

January 24, 2000

Date

Surety Company

LYNDON PROPERTY INSURANCE COMPANY

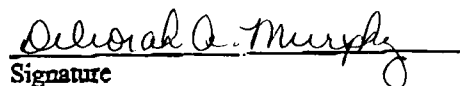
Company Officer

367 West Short Street
Surety Company Address

Attorney-in-Fact

Title/Position

Lexington, Kentucky 40507
City, State, Zip



Signature

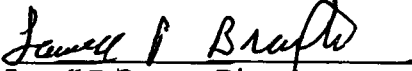
January 24, 2000

Date

Bond Number 1
Permit Number M-019-005
Mine Name Cane Creek Mine

SO AGREED this 22 day of Feb, 2000.

AND APPROVED AS TO FORM AND AMOUNT OF SURETY:


Lowell P. Braxton, Director
Utah State Division of Oil, Gas and Mining

*NOTE: Where on signs by virtue of Power of Attorney of a Surety, such Power of Attorney must be filed with this bond. If the Operator is a corporation, the bond shall be executed by its duly authorized officer.



LYNDON PROPERTY INSURANCE COMPANY
520 MARYVILLE CENTRE DRIVE, SUITE 500
ST. LOUIS, MISSOURI 63141-5814

POWER OF ATTORNEY

16-004

KNOWN ALL MEN BY THESE PRESENTS, that LYNDON PROPERTY INSURANCE COMPANY, a Missouri Corporation, having its principal office in St. Louis, Missouri pursuant to the following resolution, adopted by the Board of Directors of the Corporation on the 27 * day of January, 1983.

RESOLVED, Pursuant to Section 3.1 and 4.12 of the By-laws, the following Rules shall govern the execution of the Corporation of bonds, undertakings, recognizances, contracts and other writings in the nature thereof:

- (1) That the President or any Vice President or Assistant Vice President, the Secretary or Assistant Secretary, the Treasurer or Assistant Treasurer or any Attorney-in-Fact may execute for and in behalf of the Corporation any and all bonds, undertakings, recognizances, contracts and other writings in the nature thereof, the same to be attested when necessary by the Secretary or Assistance Secretary, and the seal of the Corporation affixed thereto; and that the President, any Vice President or the Secretary or Assistant Secretary may appoint and authorize Attorneys-in-Fact to execute or to the execution of all such writings on behalf of the Corporation and to affix the seal of the Corporation thereto. The Secretary or Assistant Secretary may not both execute and attest the same bonds, undertakings, recognizances, contracts and other writings of the Corporation.
- (2) Any such writing executed in accordance with these Rules shall be as binding upon the Corporation in any case as though signed by the President and attested by the Secretary.
- (3) The signature of the President, or any Vice President or Assistant Vice President, the Secretary or Assistant Secretary, or the Treasurer or Assistant Treasurer and the seal of the Corporation may be affixed by facsimile on any power of attorney granted pursuant to this Resolution, and the certificate bearing such facsimile signature and seal shall be valid and binding on the Corporation.
- (4) Such Attorneys-in-Fact shall have authority to certify or verify copies of this Resolution, the By-laws of the Corporation, and any affidavit of record of the Corporation necessary to the discharge of their duties.

This Power of Attorney is signed and sealed in facsimile under and by the authority of the above Resolution.

DOES HEREBY MAKE, CONSTITUTE AND APPOINT: Lucy L. Parks, William H.M. Patterson, Stephen L. Helmbrecht, Deborah A. Murphy, Sue H. McMillen, Ernestine Stapleton

its true and lawful Attorney(s)-in-Fact with full power and authority hereby conferred in its name, place and stead to sign, execute, acknowledge and deliver in its behalf, and as its act and deed, without power of redelegation as follows:

Bonds guaranteeing the fidelity of persons holding places of public or private trust, guaranteeing the performance of contracts other than insurance policies; and executing or guaranteeing bonds and undertakings required or permitted in all actions or proceedings or by law allowed, provided the amount of no one bond exceeds Two Million Five Hundred Thousand and 00/100 Dollars (\$2,500,000.00); and to bind LYNDON PROPERTY INSURANCE COMPANY thereby as fully and to the same extent as if such bond or undertaking was signed by the duly authorized officers of LYNDON PROPERTY INSURANCE COMPANY, and all the acts of said Attorney(s)-in-Fact pursuant to the authority herein given are hereby ratified and confirmed.

In Witness Whereof, LYNDON PROPERTY INSURANCE COMPANY of St. Louis, Missouri, has caused this Power of Attorney to be signed by its President and its Corporate seal to be affixed this 12th day of March, 1999.

State of Missouri
County of St. Louis ss:



LYNDON PROPERTY INSURANCE COMPANY

BY:

Roland G. Anderson
ROLAND G. ANDERSON, President

On this the 12th day of March, 1999, before the subscriber, a Notary Public of the State of Missouri in and for the County of St. Louis, duly commissioned and qualified, came ROLAND G. ANDERSON of Lyndon Property Insurance Company to me personally known to be the individual and officer described herein, and who executed the preceding instrument, and acknowledged the execution of the same, and being by me duly sworn, deposed and said, that he is the officer of the Company aforesaid, and that the seal fixed to the preceding instrument is the Corporate Seal of the Company, and the Corporate Seal and signature as an officer were duly affixed and subscribed to the said instrument by the authority and direction of the Corporation, and that the resolution of the Company, referred to in the preceding instrument.

In Testimony Whereof, I have hereunto set my hand, and fixed my official seal at St. Louis, Missouri, the day and year above written.

MARIE E. DUFF
Notary Public - State of Missouri
County of Jefferson
My Commission Expires 01/08/2002

Marie E. Duff

I, Richard C. Hackett, Secretary of the Lyndon Property Insurance Company, do hereby certify that the foregoing is a true and accurate copy of a Power of Attorney, executed by said Lyndon Property Insurance Company which is still in full force and effect.

In Witness Whereof, I have hereunder set my hand and affixed the seal of said Corporation at St. Louis, Missouri, this _____ day of _____, 20 _____.

State of Missouri
County of St. Louis ss:



LYNDON PROPERTY INSURANCE COMPANY

Richard C. Hackett
SECRETARY

Bond Number _____
Permit Number M-019-005

ATTACHMENT "A"

Moab Salt, Inc. Cane Creek Mine
Operator Mine Name

M-019-005 Moab County, Utah
Permit Number

The legal description of lands to be disturbed is:

T. 26S., R. 20E., SLM

Sec. 22: SE 1/4 SE 1/4;
Sec. 23: SW 1/4 SW 1/4;
Sec. 24: SE1/4, SE1/4SW1/4, NE1/4NW1/4, NW1/4NE1/4;
Sec. 25: All;
Sec. 26: All;
Sec. 27: SE1/4NE1/4, NE1/4SE1/4;
Sec. 34: SE1/4SE1/4;
Sec. 35: All;
Sec. 36: All;

T. 26S., R. 21E., SLM

Sec. 30: W1/2NE1/4;

T. 27S., R. 20E., SLM

Sec. 1: N1/2NE1/4, SW1/4, N1/2NW1/4, SW1/4NW1/4;
Sec. 2: E1/2, E1/2NW1/4;
Sec 11: NE1/4'
Sec 12: N1/2SW1/4, NW1/4;

as identified on the attached map.

RECEIVED

FEB 11 2000

DIVISION OF
OIL, GAS AND MINING

Note: Includes all lease area (4280.00 acres), including disturbed area.